

USAWC STRATEGY RESEARCH PROJECT

**IS MILITARY OUTSOURCING OUT OF CONTROL?**

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This SRP is submitted in partial fulfillment of the requirements of the Master of Strategic Studies Degree. The U.S. Army War College is accredited by the Commission on Higher Education of the Middle States Association of Colleges and Schools, 3624 Market Street, Philadelphia, PA 19104, (215) 662-5606. The Commission on Higher Education is an institutional accrediting agency recognized by the U.S. Secretary of Education and the Council for Higher Education Accreditation.

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Report Documentation Page			Form Approved OMB No. 0704-0188		
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE <b>15 MAR 2006</b>		2. REPORT TYPE		3. DATES COVERED	
4. TITLE AND SUBTITLE <b>Is Military Outsourcing Out of Control?</b>				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S) <b>Larry Lock</b>				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) <b>U.S. Army War College, Carlisle Barracks, Carlisle, PA, 17013-5050</b>				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT <b>Approved for public release; distribution unlimited.</b>					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT <b>See attached.</b>					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT	18. NUMBER OF PAGES <b>20</b>	19a. NAME OF RESPONSIBLE PERSON
a. REPORT <b>unclassified</b>	b. ABSTRACT <b>unclassified</b>	c. THIS PAGE <b>unclassified</b>			

## **ABSTRACT**

AUTHOR: Lieutenant Larry Lock  
TITLE: Is Military Outsourcing Out of Control?  
FORMAT: Strategy Research Project  
DATE: 15 March 2006      WORD COUNT: 5,087      PAGES: 19  
KEY TERMS: Privatization, Contracts, Private Contractors, Commercial Firms  
CLASSIFICATION: Unclassified

Since the early 1990s, contracting for military support functions have been the subject of increased debate. Firms in this industry generally provide both combat and support functions to sovereign governments such as the United States. Although it may be a cliché to say that outsourcing has become a central part of the way the Department of Defense (DOD) does business, it is a fact. In theory, outsourcing, as it's commonly known, allows military personnel to focus on essential competencies-what they do best-to successfully accomplish the mission. There is a widely held belief that private commercial contractors are cheaper, provide greater flexibility, and allow the military to focus on its core missions. But in spite of the bold claims and potential benefits, there are unintended consequences. This raises questions about the longer-term impact on the department's planning, strategy and decision-making. The purpose of this paper is to examine the utility of outsourcing within DOD and in so doing use published accounts and relevant research data to provide a comprehensive historical perspective and analyze adverse impacts on: the military profession, accountability, and contingency plans. Finally, I offer recommendations to counter some of the challenges associated with outsourcing and summarize my essential thoughts.



## IS MILITARY OUTSOURCING OUT OF CONTROL?

The invasion of Iraq, if it's done nothing else, has underscored the Department of Defense's (DOD) growing reliance on commercial firms to privatize or outsource military functions. Outsourcing, it should be noted, is the practice of contracting for support from private firms while retaining responsibility for them within the organization. Privatization, on the other hand, actually involves transferring responsibility for management of a program from the organization to private contractors. Similarly, both privatization and outsourcing are viewed as ways to cut costs and increase efficiency, therefore, for the purpose of this research project, the terms will be used interchangeably.

Opponents of the department's outsourcing strategy believe the private sector is so firmly embedded in military operations that the U.S. military would struggle to wage war without it.<sup>1</sup> For example, private commercial firms are now being hired to do everything from cooking meals to interrogating prisoners to providing security. As a point of comparison, the ratio of private contractors to U.S. soldiers in the Gulf War was about 1 to 100 and in the current Iraqi conflict, it is 1 to 10.<sup>2</sup> Consider this; DOD's spending on service contracts now exceeds \$100 billion annually.<sup>3</sup> According to the General Accounting Office (GAO), the investigative arm of Congress, the amount of expenditures to private commercial firms is now the subject of increased debate.

Halliburton's Kellogg, Brown and Root (KBR), the largest corporate private firm in Iraq, offers extraordinary case studies as to why DOD should be genuinely concerned. KBR currently provides supplies for troops and maintenance for equipment under a contract thought to be worth as much as \$13 billion. To put this in proper perspective, this figure, in current dollars, is roughly two and a half times what the United States paid to fight the entire 1991 Persian Gulf War, and roughly the same as what it spent to fight the American Revolution, the War of 1812, the Mexican-American War, and the Spanish-American War combined.<sup>4</sup>

It is not just the amount of money that's being spent, but rather what the department is buying that concerns many. While DOD still buys plenty of expensive hardware, it spends more money for services than products, a dramatic turnaround from 20 years ago, when almost two-thirds of the Pentagon's contracting budget went for products. By 2003, some 56 percent of DOD contracts paid for services rather than goods.<sup>5</sup>

In fact, the Center for Public Integrity reported that a significant amount of the DOD's budget goes to purchase a core government workforce—contract employees, consultants, and other service workers. The third largest category of Pentagon spending, following research and development and aircraft, is professional, administrative and management support services. As

such, in the decade from fiscal years 1994 to 2003, expenditures on these workers increased from \$7.3 billion to \$17.1 billion.<sup>6</sup>

Senior DOD officials should be prompted to ask the crucial question: is outsourcing out of control? Given DOD's tendency to maximize the use of private contract support, formidable vulnerabilities have surfaced in some sensitive areas. Consequently, this raises serious questions about the longer-term impact on the department's planning, strategy and decision-making.<sup>7</sup> The purpose of this paper is to examine the utility of outsourcing within DOD and in so doing use published accounts and relevant research data to provide a comprehensive historical perspective and analyze adverse impacts on: the military profession, accountability, and contingency plans. Finally, I offer recommendations to counter some of the challenges associated with outsourcing and summarize my essential thoughts.

#### Background: A Historical Perspective

Military outsourcing is not a new concept; however, it is increasingly becoming the rule, not the exception. Though outsourcing has been used for years, it actually gained popularity in 1955 when the executive branch encouraged federal agencies to obtain commercially available goods and services from the private sector when the agencies determine that such action was cost effective. The Office of Management and Budget (OMB) simply formalized the policy in its Circular A-76, issued in 1966. In 1979, OMB supplemented the circular with a handbook that included procedures for competitively determining whether commercial activities should be performed in-house, by another federal agency through an Interservice Support Agreement, or by the private sector. OMB has updated this handbook three times since 1979. An extensive revision to Circular A-76 was issued in 2003, based in part on the recent work of the Congressionally-mandated Commercial Activities Panel.<sup>8</sup>

With respect to DOD, the political, intellectual, and financial impetus for privatization began in the 1970s and received its major political boost from the Reagan administration, which shrank government even as it increased defense expenditures by 50 percent in real terms. Continuing with the privatization push during President Clinton's tenure, the administration adopted and capitalized on the "reinventing government" agenda spearheaded by Vice President Al Gore.<sup>9</sup>

Subsequently, in the early 1980s, Business Executives for National Security (BENS), a group founded in 1982 as a watchdog organization to monitor the Pentagon on weapons costs and nuclear, chemical, and biological warfare, transformed itself into an outspoken advocate of outsourcing. BENS made an appealing argument claiming that the Pentagon lags behind

private corporations in outsourcing and that the United States lags behind Europeans in privatization. The group's most striking features were to promote outsourcing, close unneeded military bases, and implement acquisition reform.<sup>10</sup>

Under President Clinton, Secretary of Defense William Cohen and other top DOD officials strongly supported BENS' calls for a revolution in military business affairs. Dr. Jacques Gansler, Secretary Cohen's undersecretary of defense for acquisition and technology, echoed this sentiment: "To meet the challenge of modernization, the Department of Defense ... must do business more like private business.... my top priority, as Under Secretary of Defense, is to make the Pentagon look much more like a dynamic, restructured, reengineered, world-class commercial sector business."<sup>11</sup>

Acquisition rule changes in the early 1990s was said to have resulted from a combination of practicality and ideology, allowing the military to buy more commercial technology that had not been specifically designed for DOD. Peter Singer, a respected author who has written on a variety of military subjects, argues that because the post-cold war troop strength dropped from 2.1 million to 1.4 million, contracting out nonmilitary functions like laundry and meals, to free soldiers for strictly military duties logically made sense. But the urge to privatize quickly expanded to include virtually all types of military functions because it was seen as a means of freeing up operations and maintenance funds to help meet growing modernization and readiness needs.<sup>12</sup>

In 1995, DOD began to give outsourcing renewed attention, and momentum continued to build for what proved to be a significant expansion of the private military industry. By 1996, Congress directed DOD to begin privatizing support services considered commercial in nature. It instructed the Pentagon to submit a plan for increased use of the private sector for services not central to the military's warfighting mission, and it required the DOD to provide a justification when it recommended that a function not be outsourced.<sup>13</sup>

More recently, in February 2001, a BENS initiative, "Improving the Business End of the Military," identified activities the DOD could discontinue and replace with business models, turning entire functions like housing and logistics systems over to the private sector.<sup>14</sup> Advocates view the current DOD's outsourcing strategy as a catalyst for competition in the marketplace, and as a vehicle to increase efficiencies, lower costs, afford the military an opportunity to focus on its core missions, and encourage technological advances.<sup>15</sup> Nevertheless, the strategy poses formidable problems worth examining in areas such as: military profession, accountability, and reliable contingency plans.

### Military Profession: Negative Impacts

Obviously, the Government's beliefs that the private sector can efficiently deliver many public services have led to a prominent private sector movement, and the Defense Department is not immune to the effect of this movement. As such, in 1996, a DOD report, "Improving the Combat Edge through Outsourcing," focused on several areas for which privatization looked promising, including education and training.<sup>16</sup> Expanded private sector influence directly impacts the military profession primarily two ways: (1) training of military officers and (2) depleting the department of highly skilled personnel.<sup>17</sup>

Throughout the 1970s and 1980s, U.S. military services launched several initiatives to transfer education and training to private or at least nonmilitary entities. Deborah Avant, a George Washington University political scientist, asserts: "In some cases, outsourcing does make sense. In other cases, such as conducting training for Reserve Officer Training Corps (ROTC) units, the logic is less obvious." This type of training, it would seem, is a key task in translating general political wishes into professional responses through the development of the wanted specialized professional knowledge.<sup>18</sup> It is one thing to contract for services that can be easily measured. But it's another to contract for education of military officers, simply because it will not be known for years whether things are working as intended.

Nevertheless, Communication Technologies, Inc. (COMTek) continues to provide retired officers and NCOs to staff ROTC programs. The Army began experimenting with this plan in 1997-98, outsourcing portions of ROTC staffs: first to the Military Professional Resources, Inc. (MPRI), which by 2001 was providing ROTC staff at 220 colleges across the country, and then to COMTek, which provided staff at more than 260 colleges in 2004. The majority of positions that have been contracted out are assistant professors of military science, trainers, and logistics specialists.<sup>19</sup>

Many believe outsourcing training to ROTC units promise to negatively affect the military's professional jurisdiction. But this has failed to stop the senior leaders from proceeding with privatizing the training of ROTC units. Avant contends that outsourcing the education and training of U.S. forces represented a loosening of the military's control of the profession itself. In her judgment, educating and training its own members are critical tasks for fostering professional identity and for maintaining the profession's internal control system. Outsourcing this mechanism will likely lead to less professionalism. She notes, by outsourcing the training of its own forces, DOD may be limiting its ability to define and retain its jurisdiction. As a result, the rush to outsource functions at all cost may have adversely affected leadership's ability to look at the military profession in a critical or skeptical way.<sup>20</sup>



Avant asserts that the Army's delegation of training missions to the private sector so that it can focus on executing tasks most closely associated with ground warfare negatively influences the future shape of its profession.<sup>121</sup> Seemingly, outsourcing has driven DOD to privatize the training military of perspective officers, perhaps the activity most central to the future of the military profession. The essential point is: the United States Armed Forces are first and foremost a profession and the training of its officers, if done wrong, can have unacceptable consequences.

The final dilemma raised by the extensive use of private contractors involves the future of the military itself. The armed services have long seen themselves as engaged in a unique profession, set apart from the rest of civilian society, which they are entrusted with securing. The introduction of private military firms, and their recruiting from within the military itself, challenges that uniqueness; the military's professional identity and its ability to effectively manage essential activities.<sup>22</sup>

Some in the military worry, understandably, that the outsourcing boom could endanger the health of their profession and resent the way these firms exploit skills learned at public expense for private profit. They also fear that this expanding market will hurt the military's ability to retain talented soldiers. Contractors in the industry can earn anywhere from two to ten times what they make in the military; in Iraq, former special forces troops earn as much as \$1,000 a day.<sup>23</sup>

Certain highly skilled service members, such as pilots, have always had the option of seeking work in the civilian marketplace. But current industry trends mark a significant change, because private firms now compete directly with DOD. Not only do they draw their employees from the military, they do so to perform traditional military roles, thus shrinking the military's purview. Perhaps the most disturbing evidence, in some instances, is private contractors' use of public funds to offer soldiers higher pay, and then pass the costs on to the government, all for services provided by the very personnel that the military itself originally trained.<sup>24</sup>

#### Accountability: A Matter of Depleted Resources

To put it bluntly, the incentives of a private contractor do not always align with DOD's interest. Ideally, this problem is kept in check through proper management and oversight. In reality, such scrutiny is often absent. As a result, abuse allegations have been thrown at several firms. For example, KBR has been accused of a number of abuses in Iraq, ranging from overcharging for gasoline to billing for services not rendered; the disputed charges totaled \$1.8 billion. And Custer Battles, a startup military provider firm was featured on the front page of the

Wall Street Journal in August 2004 accused of running a fraudulent scheme of subsidiaries and false charges.<sup>25</sup>

Dan Guttman, an expert on federal government contracting retained by the Center for Public Integrity, argues that the widespread growth of contracting for services has expanded beyond the ability of DOD to oversee it.<sup>26</sup> Specifically, he asserts that private contractors are doing the basic work of government, and government lacks the expertise and experience to control the contractor workforce. In other words, there is a stunning lack of accountability on DOD's behalf. In his view, DOD spends billions of dollars without any competitive bidding, and literally tens of thousands of companies whose employees are not bound by federal ethics and Freedom of Information laws, government salary schedules or the Uniform Code of Military Justice. "These laws apply to officials, not contractors, on the presumption that officials are in control," said Guttman.<sup>27</sup>

It is a widely held view that acquisition personnel reductions have been a contributing factor to the oversight dilemma. The DOD Inspector General (IG), for example, told the Senate Armed Services Subcommittee on Readiness that DOD "reduced its acquisition workforce from 460,516 people in September 1991 to 230,556 in September 1999, a reduction of 50 percent." More importantly, these cuts came at a time when the acquisition workload increased significantly. According to the IG, from fiscal year 1990 through 1999, the number of procurement actions increased by more than 12 percent. Among the adverse consequences reported by DOD were: insufficient staff to manage requirements efficiently, reduced scrutiny and timeliness in reviewing acquisition actions, increased backlog in closing out completed contracts, and lost opportunities to develop cost savings initiatives.<sup>28</sup>

Surprisingly, DOD lacks the most basic information about its contracts, and in fact doesn't know exactly how many contract workers it employs. And to find out the answer, of course it has hired more contractors. As the General Accounting Office observed, "There is only limited visibility or control at the DOD or military department level, and information systems that provide reliable data and are capable of being used as a management tool are lacking."<sup>29</sup> To make matters worse, the Defense Department, reduced the number of officials who oversee procurements by approximately 50 percent, and ended up hiring firms like Booz Allen Hamilton, Jefferson Solutions and the Rand Corporation to manage its contractors. Essentially, contractors were hired to manage contractors.<sup>30</sup> Aside from violating DOD policy, this raises relevant concerns as to whether or not private contractors have the legal authority to oversee traditional governmental functions.

In some cases DOD doesn't know how much it's spending on service contracting, let alone if billions of dollars are being spent wisely. Perhaps pointing to the very core of the accountability issue, in a report on A-76, GAO noted that entries in the Commercial Activities Management Information system (CAMIS), the contract monitoring system, are not being modified and are being used continuously without updating the data to reflect changes in or even termination of contracts. Although fiscal responsibility plays a dominant role in outsourcing decisions, DOD officials noted that they could not determine from the CAMIS data if savings were actually being realized from A-76 competitions.<sup>31</sup>

In the final analysis, poor data perpetuates inadequate management and accountability. GAO echoed this sentiment in a 2003 report: "Its work and the work of DOD's IG, has found that spending on services is not being managed effectively." All too often, the scenario is the same; requirements are not clearly defined, alternatives are not fully considered, vigorous price analyses are not performed, and contractors are not adequately overseen.<sup>32</sup>

#### Contingency Plans: Not Always Reliable

Perhaps the most striking feature of outsourcing is the wide scope of critical jobs that contractors are now carrying out. For example, when the U.S. military invaded Iraq, battleships in the Gulf were manned by Navy personnel. However, at their side were civilians from four private firms operating some of the world's most sophisticated weapon systems. Likewise, the unmanned Predator drones, the Global Hawks, and the B-52 stealth bombers, and their weapons systems, too, were operated and maintained by non-military personnel working for private companies. Private contractors are just as deeply involved, if not more so, in the war's aftermath.<sup>33</sup> Skeptics, who include many members of the military establishment, warn that the growing private contractors' presence on the battlefield exposes DOD to potentially catastrophic risk.

Is the outsourcing trend being driven by the accelerating sophistication of military software and hardware? After all, DOD's high-tech weapon systems are very expensive and complex. One can make a valid argument that commanders in the field have no choice but to depend on expert civilians to maintain and, in some cases, operate sensitive systems. This underscores GAO's assertions that DOD does not have sufficient personnel with the highly technical or specialized skills needed in-place (e.g., technicians to repair sophisticated equipment or weapons). Put another way, DOD lacks reliable contingency plans to compensate for private contractors.<sup>34</sup> The ultimate fear, of course, is that contractors under extreme duress will flee, exposing U.S. soldiers to additional risk.

Even prior to the Iraqi invasion, private companies were contracted for war-gaming, field training, and handled logistics and support during the war's buildup. The massive U.S. complex at Camp Doha in Kuwait, which served as the launch pad for the invasion, was built, operated, and guarded by a private contractor. During the invasion, contractors maintained and loaded many of the most sophisticated U.S. weapons systems, such as B-2 stealth bombers and Apache helicopters. They also helped operate combat systems such as the Army's Patriot missile batteries and the Navy's Aegis missile-defense system.<sup>35</sup>

More to the point, GAO clearly stated in its June 24, 2003, report, that despite requirements established in Department of Defense guidance (Instruction 3020.37), DOD and the services have not identified those contractors that provide mission essential services and, where appropriate, developed backup plans to ensure that essential contractor-provided services will continue if the contractor becomes unavailable for any reason.<sup>36</sup>

Although private contractors perform military jobs, they still remain private businesses and thus fall outside the military chain of command and justice systems. Unlike military units, private contractors have a choice over which contracts they will take and can abandon or suspend operations for any reason. Obviously, such an arrangement can leave the military in the lurch, as has occurred several times already in Iraq: during periods of intense violence, numerous private firms delayed, suspended, or ended their operations, placing great stress on U.S. troops.<sup>37</sup>

This does not suggest that contractors have not performed well during contingencies. But the potential for misunderstandings rises as a military commander requires more real-time control over a support service; he relies more heavily on an untested commercial source for surge capability, and requires the support service in a more hazardous theater of operations. GAO has said that DOD must do a better job of integrating contractors into planning and execution during peacetime as well as contingency operations. Until such integration and planning can be achieved, however, military commanders should be cautious about their willingness to rely on support services that directly affect their ability to operate during a contingency.<sup>38</sup>

Indeed, if DOD could rely on private contractors 100 percent of the time, there would be little reason for concern. The U.S. military would presumably be well-positioned for the challenges that might arise. However, that strategy could prove to be highly risky and unreliable. Aside from being potentially unavailable when needed, there is always a risk of private contractors selling advanced technologies to potential adversaries. As the acquisition system places increased emphasis on "dual-use" technologies with both military and

commercial applications, it is inevitable that foreign nations will gain greater access to advanced military capabilities.<sup>39</sup>

### Recommendations

The forces that drove the growth of the private military industry seem firmly set in place.<sup>40</sup> Like it or not, that's the reality. Despite the challenges, I am still optimistic that DOD can derive many benefits from outsourcing. Viewed against the backdrop of historical research data; however, I think it is necessary for the Department of Defense to reexamine its overall outsourcing strategy. As such, it is my recommendation that DOD do the following: (1) conduct an independent program assessment, (2) revise policy guidance based on the results, and (3) provide necessary resources to improve overall contract management.

The Department of Defense should undertake a comprehensive survey to discern the full scope of what it has outsourced and what the results have been. Oddly enough, this will entail hiring more contractors. The assessment will afford the department an opportunity to take an unemotional step back and examine the overall trend objectively, rather than continue to assume the outsourcing strategy is working as intended. The department must dispel the notion that just because it can turn a function over to the private sector does not mean it should. As Sobel and Thompson point out, two basic questions must be asked regarding military readiness before handing over any public function: Is the function being privatized in symmetry with national security and the public interest? If so, how will this privatization save money and promote efficiency?<sup>41</sup>

There will obviously be risks and tradeoffs. DOD must avoid the trap of assuming that contractors will allow us to save money, limit investment, and meet the war time surge when required.<sup>42</sup> The fact that contracting decisions are not always driven by doctrinal or operational considerations but sometimes dictated by budgetary pressures is not particularly insightful. But when funding constraints are viewed in the context of outsourcing within DOD, it does provide a better understanding of why programs are established and kept, even when they may have outlived their usefulness. Often times, money is saved, but at the expense of military capabilities. In other words, though the organization manages to stay within budget and attain its outsourcing goals, outsourcing weakens organizational effectiveness. In the case of DOD, combat readiness could possibly be compromised. That's just one example why I am calling for an independent review, which should, at the very least, provide a snapshot of DOD's current outsourcing posture.

Pending a comprehensive independent assessment, DOD will be in a better position to clarify policy guidance. At the center of the issue is determining an agency-wide uniform definition of “core and inherently governmental functions.” I can’t stress enough the importance of this matter because it is the very foundation of what’s best suited to be outsourced or privatized. In the past, while use of the term “core” is associated with the private sector, DOD has sometimes used the term to designate military and civilian essential positions required for military and national security reasons. Regardless of usage, determinations of core and inherently governmental functions within DOD have often been viewed as somewhat subjective in nature.<sup>43</sup>

To add to the confusion, the term “core functions” has gained increased and more expanded use within DOD, beginning with the DOD’s publication of its 2001 Quadrennial Defense Review Report, which recommended the identification of core and non-core functions. According to the report, “only those functions that can be performed by DOD should be kept by DOD. Any functions that can be provided by the private sector are not a core government function.” The test to separate core and non-core functions would be to determine whether a function is directly necessary for warfighting, according to the report.<sup>44</sup>

There is currently no uniform process to effectively identify future outsourcing requirements within DOD. Although the Planning, Programming, and Budgeting and Execution (PPBE) process plays a significant role in acquisition management, outsourcing requirements are not fully captured and subsequently evaluated for effectiveness. Therefore, it is very difficult, if not impossible, for the department to objectively determine the benefits of outsourcing. Of course this undermines the overall intent of PPBE, which is to generate better resource allocation decisions and provide the Combatant Commanders with the best mix of forces, equipment, and support attainable within established fiscal constraints.<sup>45</sup> Inevitably, DOD has to find a way to plan and program outsourcing dollars into its formal budgeting process. Otherwise, senior leaders will continue to react by reprogramming current year operational dollars to fund urgent contractual requirements.

In order for the acquisition professionals to promptly and accurately describe what the DOD wants to buy, identify and select quality suppliers, ensure fair prices, and effectively manage and evaluate contractor performance, dramatic recapitalization is required. DOD has severely reduced the contracting workforce, rendering it unprepared to exercise basic oversight responsibilities. While contracting dollars have increased significantly, there’s been no corresponding growth in the contracting workforce. During contingency operations, commanders are routinely forced to rely on poorly trained or ill prepared personnel to oversee

contract performance. Ultimately, a well-functioning procurement network will depend on developing a larger cadre of skilled government personnel and capable shared supporting information systems.<sup>46</sup>

The Defense Department, along with other governmental agencies, keeps precise count of the numbers of those employed as officials—civil servants, political appointees, servicemen and woman. Yet DOD lacks the most basic information on its contract workforce. In 2002, the Secretary of the Army declared that the Army lacked “visibility” over its service contract workforce, and called for its collection. GAO also observed that departmental level limited visibility and unreliable information systems rendered management tools inadequate.<sup>47</sup> Specifically, the Commercial Activities Management Information system (CAMIS) has to be upgraded or replaced. It simply does not get the job done.<sup>48</sup>

I subscribe to the old adage “an ounce of prevention is worth a pound of cure.” As such, additional contracting officers, auditors, inspectors general, fiscal lawyers, military comptrollers, and administrative personnel are needed to improve the procurement system. Undoubtedly, savings in terms of wasteful spending and inefficiency would be well worth the investment in upgrading systems and increasing the number of highly skilled personnel. Perhaps establishing a DOD standard contracting officer/contract ratio would ensure proper balance and span of control. As the Services focus on combined operations, procedures and standardizing equipment becomes increasingly more important. With respect to contract management, the process of gathering, processing, analyzing, and ultimately disseminating information has to improve. It is imperative that a system be designed for the entire DOD procurement community that is capable of providing all stakeholders’ access to information. Conceptually, this procurement system would be part of a larger information network shared throughout DOD as well as with other governmental organizations such as OMB.

### Conclusion

In conclusion, privatization and outsourcing always comes with both positive and negative externalities. The onus is not on the private sector, but on the client, in this case the Department of Defense, to guard its own interests to ensure success. To that end, DOD will need to refine systems, processes, and procedures in order to maximize the positives and minimize the negatives. It should come as no surprise that the goal of corporate contractors is to make a profit. Governmental agencies have no financial incentive to cut corners or misrepresent results. Contractors do.<sup>49</sup>

Without question, outsourcing adds to the multiple layers of agents with divided loyalties, between the mission of the agency and profits for the contractor. As such, sometimes outsourcing weakens accountability, but one way to mitigate it is to legally mandate that all unclassified government contracts be made available to the public on request. Equally important, each contract should also include a visibility clause requiring contractors to list the number of employees involved and what they are to be paid, thus limiting the possibility of financial abuse.

It's a given that costs will continue to be a key component in the outsourcing equation. Having said that, the cost savings argument for outsourcing is not nearly as compelling as the potential improvement from quality of service or the flexibility afforded commanders. This does not suggest, however, that DOD personnel should not always seek the best value at the lowest possible cost. In fact, they have a responsibility to do so. Competition is essential because private contractors are profit-seeking firms whose first loyalties are to their shareholders. In other words, it's competition, not privatization or outsourcing per se, that will produce cost savings, performance improvements, and efficiencies.

Also, there is no doubt that private contractors increase the logistical and combat capabilities. Clearly, there still remain questions as to whether commanders, when conducting contingency operations, are adequately prepared to assume essential logistic related responsibilities in the event contracted support is curtailed or terminated for whatever reason. Just as disturbing, are DOD's overall contract management deficiencies.

It should be noted that DOD is in the process of implementing the National Security Personnel System (NSPS) as an alternative way to accelerate the department's efforts to create a total force (military, personnel, civilian personnel, and contractors). NSPS will replace the current DOD civilian personnel system of pay-for-longevity with one that pay-for-results and hold leaders accountable for managing performance. Similar to outsourcing and privatization, NSPS' intent is to save money and free up additional military positions to focus on other core missions.<sup>50</sup> Thus, NSPS should be viewed as complimentary to DOD's overall outsourcing strategy.

A valuable lesson here is self-evident but has often been ignored: outsource a function only if it will save money or improve efficiency. Unfortunately, all too often, we tend to outsource first and never bother to follow up later. Senior DOD officials must resist the temptation to conclude private commercial firms always do it better, quicker, and cheaper.<sup>51</sup> Success is likely if DOD is able to provide sufficient oversight and management of its contracts, and if the private contractor is properly motivated by the fear of being fired. Yes, the military has been



downsized, but outsourcing is no panacea for America's overextended military. On the other hand, using private solutions for public military ends is not necessarily a bad thing.

#### Endnotes

<sup>1</sup> Ian Traynor, "The Privatization of War," Guardian Unlimited, December 10, 2003 [journal on-line]; available from <http://www.guardian.co.uk/international/story/0,3604,1103566,00.htm1>; Internet accessed 27 October 2005.

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<sup>19</sup> Ibid, 275.

<sup>20</sup> Ibid, 274.

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